

Message Text

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PAGE 01 KUWAIT 01822 061126Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 EB-08 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
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TO SECSTATE WASHDC 7693
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E.O. 11652: N/A
TAGS: ENRG, RO
SUBJECT: KUWAIT/ROMANIA PEGDOCHEMICAL COMPLEX NEGOTIATIONS

REF: DAMASCUS 2166

1. ENDING FOURTH ROUND OF NEGOTIATIONS ON LONG-DISCUSSED KUWAIT-ROCANIAN PETROCHEMICAL PROJECT, ROMANIAN DEPUTY CHEMICAL INDUSTRY MINISTER ION NICOLAE IS QUOTED BY KUWAIT PRESS MARCH 30 AS SAYING THAT DATE FOR FORMAL SIGNATURE OF AGREEMENT FOR JOINT VENTURE WILL BE SET "SOON." VENTANE, ACCORDING TO PRESS REPORT, COST \$800 MILLION-\$1 BILLION, BE 51 PCT ROMANIAN/49PCT KUWAIT JOINT VENTURE, AND WILL INVOLVE SHIPMENT OF 160,000 B/D OF KUWAIT CRUDE IN KUWAITI TANKERS TO PLANNED COMPLEX ON BLACK SEA. ACCORDING TO NICOLAE, NO THIRD PARTY WILL BE ALLOWED TO JOIN PROJECT EITHER DIRECTLY OR INDIRECTLY AND ROMANIA HAS PLEDGED TO TRAIN KUWAITI ENGINEERS AND TECHNICIANS ON PROJECT.

2. COMMENTING ON NEGOTIATIONS, KUWAIT OIL MINISTRY UNDER-

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PAGE 02 KUWAIT 01822 061126Z

SECRETARY MAHMOUD ALAADASANI TOLD US THAT THEY WERE "98PCT COMPLETE" AND THAT KUWAIT WILL PUT UP \$250 MILLION EQUITY, WITH ROMANIA TO PROVIDE ITS EQUITY THROUGH OBTAINING LOW INTEREST LOANS. ACCORDING TO ADASNI KUWAIT WILL GIVE NO DISCOUNT ON THE PRICE OF THE 160,000 B/D OF OIL IT WILL PROVIDE ROMANIA OVER 15 YEARS. ALSO, PROJECT IS SUPPOSED TO COST \$1.2 BILLION, ACCORDING TO ADASANI. SO FAR AS

WE KNOW, IT WILL INVOLVE NO ROMANIAN INVESTMENT IN KUWAIT, COMPLEX BEING IN ROMANIA.

3. OTHER KNOWLEDGEABLE SOURCES IN KUWAITI OIL SECTOR VOICED SOME SKEPTICISM OVER PROJECT TO US, NOTING THAT ROMANIA HAD ASKED FOR A DISCOUNT ON OIL AND NOT GOTTEN IT, AND THAT KUWAIT COULD LIVE TO REGRET PROJECT, SINCE IMPORTANT FACTORS SUCH AS PRICE OF PRODUCTS TO BE PRODUCED HAD NOT EVEN BEEN DISCUSSED, MUCH LESS AGREED UPON, AND ROMANIANS FREQUENTLY DUMP SURPLUS PRODUCTS. THEY NOTED THAT WHILE ROMANIA SIGNED AGREEMENT TO PURCHASE KUWAITI OIL ON DEC 31, 1974, AGREEMENT WAS ONLY VALID FOR ONE YEAR. SINCE END OF 1975 ROMANIA HAS BEEN BUYING OIL FROM KUWAIT ON LETTER OF INTENT BASIS ONLY, UNDER TERMS LESS FAVORABLE THAN THAT GIVEN TO OTHER KUWAITI CUSTOMERS, SINCE ROMANIANS GET THEIR OIL ONLY ON A SECURED LETTER OF CREDIT BASIS. OWNING INCREASING NUMBER OF TANKERS IN A WEAK MARKET, KUWAITIS MAY GIVE DISCOUNT ON TANKER RATES, THEREBY INCLUDING HIDDEN DISCOUNT ON PRICE OF OIL. HOWEVER, AS ROMANIANS COULD PROBABLY GET SUCH DISCOUNTS ON TANKER RATES ON OPEN MARKET, WE WONDER WHAT PARTICULAR ADVANTAGE THIS MAY BE. OIL SECTOR SOURCES HERE BELIEVE AGREEMENT TO BE POLITICAL AS MUCH AS IT IS ECONOMIC, ALTHOUGH ASSURED LONG TERM PURCHASES OF KUWAIT'S RELATIVELY UNATTRACTIVE HIGH SULFUR CRUDE PROBABLY HAS APPEAL TO GOK.

4. COMMENT: IT COULD BE THAT WITH KUWAIT APPARENTLY WILLING TO PUT \$250 MILLION IN EQUITY INTO JOINT PROJECT, LIMITED OFFICIAL USE

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PAGE 03 KUWAIT 01822 061126Z

ROMANIANS ARE NOW SCURRYING AROUND TO FIND MONEY TO PAY FOR THEIR SHARE AND ARE THEREFORE PULLING OUT OF SYRAIN PROJECT (REFTEL). IF SO, THEY MAY BE A BIT OVER-OPTIMISTIC ABOUT CHANCES OF EARLY APPROVAL OF LONG-DISCUSSED KUWAIT-ROMANIA PROJECT. OIL MINISTRY ASSISTANT UNDER-SECRETARY TOLD US APRIL 5 THAT PROJECT STILL MUST BE DISCUSSED AND APPROVED BY HIGHER PETROLEUM COUNCIL AND THEN BY CABINET, WHICH COULD TAKE MANY MONTHS. HOWEVER, PROJECT HAS STRONG SUPPORT OF FINANCE MINISTER ATEEQI AND, IF HE HAS CONVINCED PRIME MINISTER, APPROVAL COULD COME QUICKLY. SUTHERLAND

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